
INVESTOR
RELATIONS
2017 2Q
beyond the best
KUMHO PETROCHEMICAL

Investor Relations 2017

CONTENTS

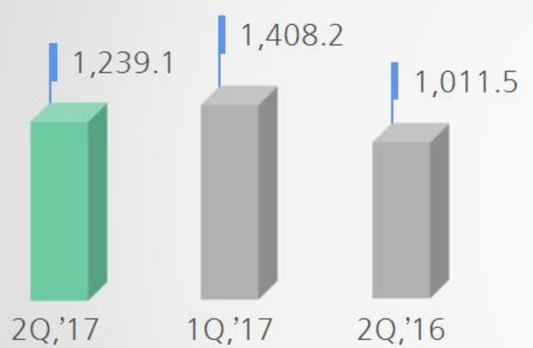
2Q, 2017 Overview

Sales & Operating Income

- Sales decreased by 12.0% since the last quarter and rose by 22.5% over the previous year to KRW 1,239.1bn.
- Operating income decreased by 32.9% since the last quarter and by 32.6% over the previous year to KRW 44.1bn.

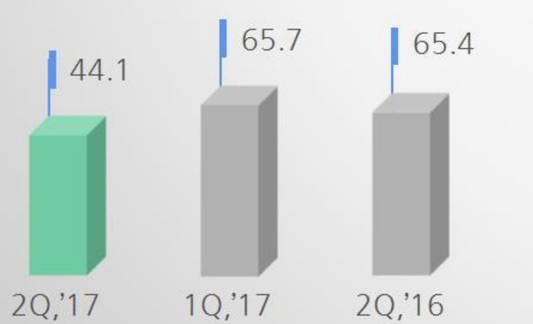
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	2Q,'17	1Q,'17	2Q,'16	Rate of change	
				QoQ	YoY
Sales	1,239.1	1,408.2	1,011.5	-12.0%	22.5%
[Synthetic Rubbers]	499.5	636.2	387.7	-21.5%	28.8%
[Synthetic Resins]	293.8	303.5	271.6	-3.2%	8.2%
[Others]	445.8	468.5	352.2	-4.8%	26.6%
Phenol Derivatives	295.5	309.2	223.4	-4.4%	32.3%
Specialty Chemicals	35.5	33.6	28.5	5.7%	24.6%
Energy	37.4	47.8	38.1	-21.8%	-1.8%
Others	77.4	77.9	62.2	-0.6%	24.4%
Operating Income	44.1	65.7	65.4	-32.9%	-32.6%
[%]	*3.6%*	*4.7%*	*6.5%*	*-1.1%p*	*-2.9%p*
Income before Income Taxes	52.8	88.4	66.0	-40.3%	-20.0%
Net Income	36.7	69.0	45.0	-46.8%	-18.4%
Gain/Loss on Valuation of Equity Method Investments	21.4	18.4	8.1	16.3%	164.2%

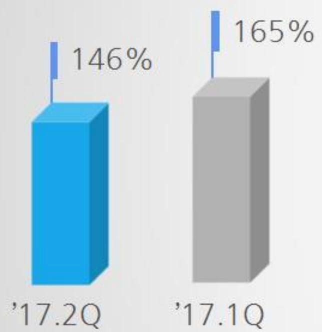
✓ Net Income is based on Controlling Interests.

2Q, 2017 Overview

Financial Structure

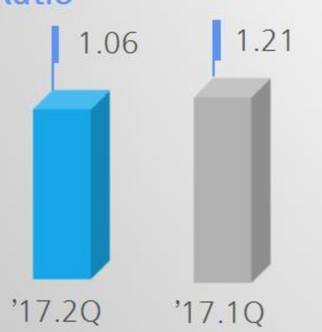
- ❖ Stable financial structure maintained in accordance with a decrease in debt to equity ratio and continuous liquidity management.
- ❖ Total asset turnover ratio and interest coverage ratio decreased due to stagnant performance in major businesses.

Debt to Equity Ratio (%)

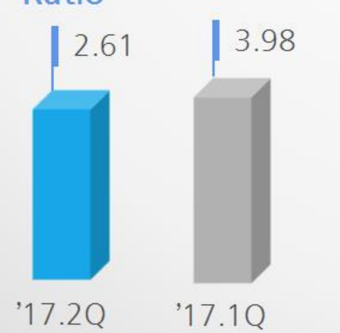


Borrowings (KRW bn)

Total Assets Turnover Ratio



Interest Coverage Ratio



(Unit: KRW bn)

	Unit	2Q,'17	1Q,'17	2Q,'16	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,617.8	4,760.7	4,476.2	-3.0%	3.2%
Liabilities	KRW bn	2,743.3	2,961.3	2,754.9	-7.4%	-0.4%
Shareholders' Equity	KRW bn	1,874.5	1,799.4	1,721.3	4.2%	8.9%
Controlling Interests		1,764.0	1,689.8	1,607.5	4.4%	9.7%
Non-controlling Interests		110.5	109.6	113.8	0.8%	-2.9%
Debt to Equity Ratio	%	146	165	160	-19%p	-14%p
Borrowings	KRW bn	2,133.3	2,177.1	2,072.8	-2.0%	2.9%
Won-denominated		1,623.5	1,566.9	1,642.4	3.6%	-1.2%
Foreign currency-denominated		509.8	610.2	430.4	-16.5%	18.4%
Total Assets Turnover Ratio		1.06	1.21	0.92	-12.4%	15.2%
Interest Coverage Ratio		2.61	3.98	4.25	-34.4%	-38.6%

Business Review

Synthetic Rubbers

40.3%

of Total sales

Synthetic Rubbers

Synthetic Resins

Others

❖ Sales declined by 21.5% over the previous quarter to KRW 499.5bn.

❖ Diminished sales and profitability due to a drop in the selling price and weak demand, caused by a downward trend of BD price.

- **Sharp drop in BD price**

- Stable supply caused by sufficient BD inventory and the stable operating rate of naphtha crackers due to a favorable upstream market condition, in spite of annual maintenances within the region.
- A continuous downward price of BD after a sharp decrease resulted from the adjustment of utilization rates of downstream makers.

➢ BD Price changes by region

(Unit: USD/ton)

	Jan.'17	Feb.'17	Mar.'17	Apr.'17	May.'17	Jun.'17
Asia	2,935	3,030	2,170	1,325	1,113	947
N. America	1,885	2,651	2,529	1,934	1,375	1,133
Europe	1,931	2,325	2,126	1,686	1,450	976

※ Source: ICIS/PLATTS 2017

- **Diminished profitability of synthetic rubber**

- Decline in sales and profitability resulted from a drop in the selling price and weak demand due to a downward trend of BD price.
- Decrease in sales volume due to the ample inventory of synthetic rubbers, natural rubbers and tires within the area.

(Unit: USD/ton)

	Jan.'17	Feb.'17	Mar.'17	Apr.'17	May.'17	Jun.'17
SBR	2,394	2,697	2,501	2,016	1,734	1,418
BR	2,756	3,238	2,960	2,244	1,963	1,550

※ Source: ICIS 2017

Business Review

Synthetic Resins

23.7%
of Total sales

Synthetic Rubbers
Synthetic Resins
Others

❖ Sales decreased by 3.2% over the previous quarter to KRW 293.8bn.

❖ Slight improvement in profitability resulted from robust demand mainly in ABS market, in spite of the weak price of raw materials (SM/BD).

- **Weak SM price**

  - In times of high SM inventory at the beginning of quarter, weak SM price resulted from an increase in supply due to re-initiation from scheduled shutdowns and troubles outside the area.
  - Slight rally in SM price resulted from the recovery of some demand in downstream and the occurrence of few additional troubles at the end of quarter.

➢ SM Price changes

(Unit: USD/ton, CFR China)

	Jan.'17	Feb.'17	Mar.'17	Apr.'17	May.'17	Jun.'17
SM	1,326	1,478	1,261	1,151	1,081	1,126

※ Source: ICIS 2017

- **Slight improvement in profitability of synthetic resins**

  - Slight improvement in profitability and increase in sales volume, resulted from robust demand mainly in ABS market at the end of quarter, in spite of a drop in the selling price caused from weak price of raw materials (SM/BD).

(Unit: USD/ton)

	Jan.'17	Feb.'17	Mar.'17	Apr.'17	May.'17	Jun.'17
PS	1,374	1,500	1,385	1,293	1,215	1,242
ABS	1,810	1,958	1,828	1,703	1,610	1,709

※ Source: PLATTS 2017

Business Review

Others

36.0%
Of Total sales

- Synthetic Rubbers
- Synthetic Resins
- Others

❖ Sales decreased by 4.8% over the previous quarter to KRW 445.8bn.

❖ Phenol derivatives : Diminished sales and profitability caused by the weak price of raw materials and the downturn in demand.

❖ Energy : Decline in sales and profitability resulted from a drop in the electricity price and reduced demand.

• Phenol derivatives

- Weak Benzene (BZ) price in response to the downward oil price.
- Decrease in sales and profitability due to a downward selling price caused by the weak BZ price and decline in demand.

➢ BZ Price changes

(Unit: USD/ton, FOB Korea)

	Jan.'17	Feb.'17	Mar.'17	Apr.'17	May.'17	Jun.'17
BZ	931	1,010	835	808	750	748

※ Source: PLATTS 2017

• Energy

- Depreciation in sales and profitability caused by a drop in the electricity price (SMP), annual shutdown and a seasonal reduction in demand.

➢ SMP Price changes

(Unit: KRW/KW)

	Jan.'17	Feb.'17	Mar.'17	Apr.'17	May.'17	Jun.'17
SMP	86	91	92	75	78	82

※ Source: Korea Power Exchange

3Q, 2017 Outlook

BD

- In addition to the low usage of LPG cracking, supply is anticipated to be stable without concerns with scheduled shutdowns.
- The potential increase in BD price looks to be limited due to an arbitrage; and the price is likely to be volatile depending on downstream demand.

Synthetic Rubbers

- Limit is expected to the increase in SR price as a result of the low possibility for the increase in BD price and a sufficient supply of NR.
- Unstable demand is expected due to an ample tire inventory within the region and a recent increase in the price volatility of the main raw material (BD).

SM

- Tight balance between supply and demand is expected in the short-term due to troubles within the region, despite the low inventory and the start-over from SM annual maintenances.
- In spite of possible arbitrages, price is anticipated to be stable in accordance with the peak season for the manufacturing industry and robust demand.

Synthetic Resins

- Demand looks to be robust due to some increase in restocking demand in the ABS/PS market.
- Volatility in the price is expected to stabilize with the anticipation in the stable price of feedstocks.

Appendices

Income Statement

(Unit: KRW bn)

	2Q,'17	1Q,'17	2Q,'16	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,239.1	1,408.2	1,011.5	-169.1	-12.0%	227.6	22.5%
Operating Income	44.1	65.7	65.4	-21.6	-32.9%	-21.3	-32.6%
(Operating Margin)	*3.6%*	*4.7%*	*6.5%*	*-1.1%p*	-	*-2.9%p*	-
Net Interest Expense	22.2	-11.1	17.3	33.3	-	4.9	28.3%
Gain/Loss on Valuation of Equity Method Investments	21.4	18.4	8.1	3.0	16.3%	13.3	164.2%
Income before Income Taxes	52.8	88.4	66.0	-35.6	-40.3%	-13.2	-20.0%
(Ordinary Income Margin)	*4.3%*	*6.3%*	*6.5%*	*-2.0%p*	-	*-2.2%p*	-
Net Income	36.7	69.0	45.0	-32.3	-46.8%	-8.3	-18.4%
(Net Income Margin)	*3.0%*	*4.9%*	*4.4%*	*-1.9%p*	-	*-1.4%p*	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	2Q,'17	1Q,'17	2Q,'16	Rate of change	
				QoQ	YoY
Current Assets	1,307.6	1,479.2	1,092.3	-171.6	215.3
- Cash and Cash Equivalents	241.3	118.0	103.0	123.3	138.3
Non-current Assets	3,310.2	3,281.5	3,383.9	28.7	-73.7
Total Assets	4,617.8	4,760.7	4,476.2	-142.9	141.6
Current Liabilities	1,975.1	2,214.4	1,755.8	-239.3	219.3
Non-current Liabilities	768.2	746.9	999.1	21.3	-230.9
■ Interest bearing Liabilities	2,133.3	2,177.1	2,072.8	-43.8	60.5
- Short-term Debts	1,498.7	1,554.0	1,210.5	-55.3	288.2
- Long-term Debts	634.6	623.1	862.3	11.5	-227.7
■ Non-interest bearing Liabilities	610.0	784.2	682.1	-174.2	-72.1
Total Liabilities	2,743.3	2,961.3	2,754.9	-218.0	-11.6
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,874.5	1,799.4	1,721.3	75.1	153.2
Net Debt Ratio	41.0%	43.3%	44.0%	-2.3%p	-3.0%p
Long-term Debts to Total Debts Ratio	29.7%	28.6%	41.6%	1.1%p	-11.9%p
Current Ratio	66.2%	66.8%	62.2%	-0.6%p	4.0%p
Debt to Equity Ratio	146.3%	164.6%	160.0%	-18.3%p	-13.7%p

Appendices

Production Capacity (KKPC)

	Product		Capa.	Unit	Note
Synthetic Rubbers	SBR		360,000	MT/Y	
	BR	HBR	290,000		
		LBR	45,000		
	S-SBR		63,000		
	NdBR		60,000		
	NBR		80,000		
	HSR		10,000		
	NB Latex		400,000		Completion of Expansion: 200,000MT/Y(Multi-purpose),2H,'16
	SB Latex		81,800		
	SBS		75,000		
	Total		1,464,800		
Synthetic Resins	PS		230,000	MT/Y	
	ABS		250,000		
	SAN/POW		145,000		
	EPS		80,000		
	PPG		141,000		
	Total		846,000		
Specialty Chemicals	Antioxidants		83,500	MT/Y	
Energy	Steam		1,710	T/H	
	Electricity		300	MWH	
BD	Ulsan		90,000	MT/Y	
	Yeosu		147,000		
	Total		237,000		

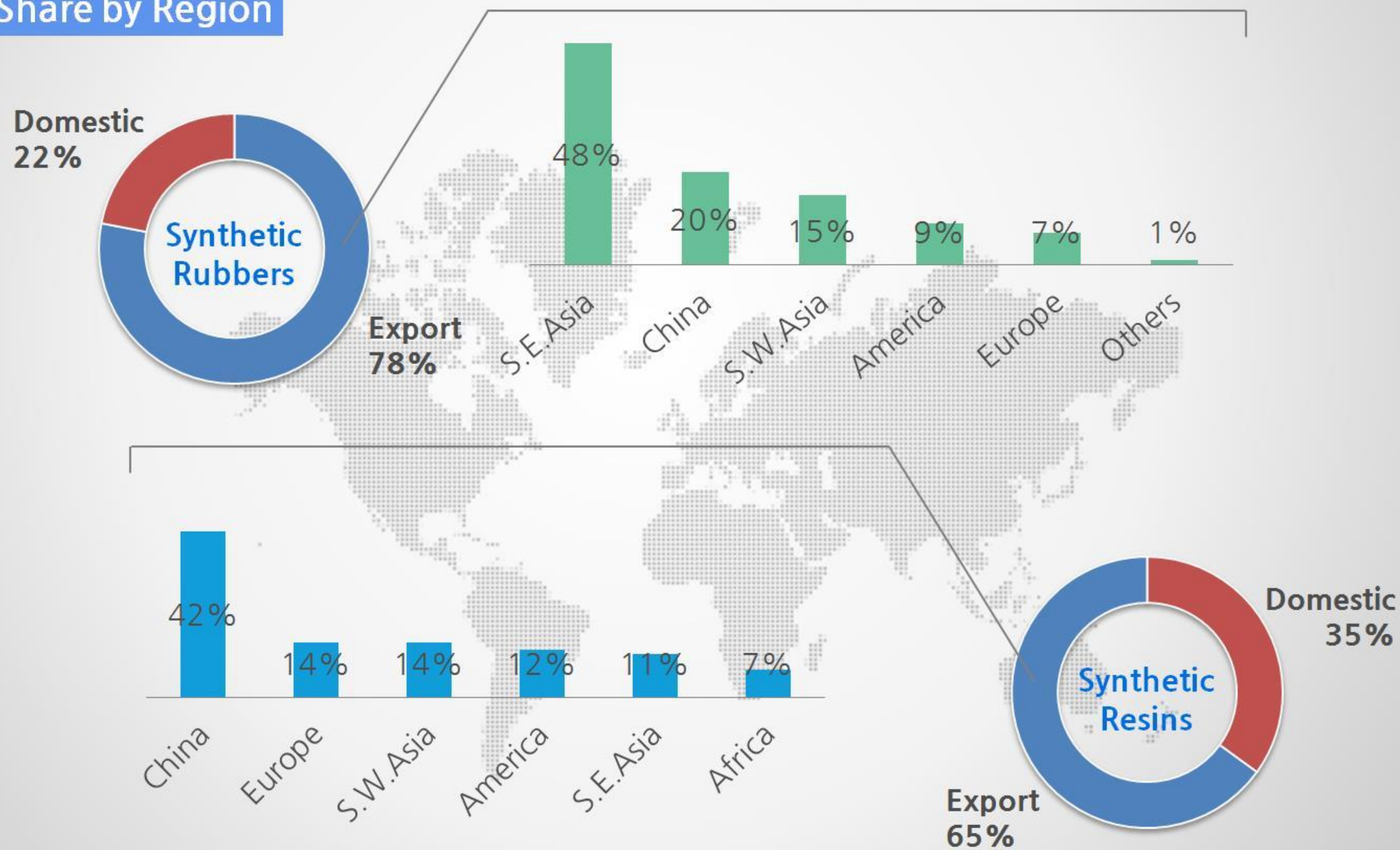
Appendices

Production Capacity (Affiliates)

	Product	Capa.	Unit	Note
Kumho P&B Chemicals	Phenol	680,000	MT/Y	
	Acetone	420,000		
	MIBK	60,000		
	Cumene	900,000		
	BPA	450,000		
	Epoxy Resin	135,000		Completion of Expansion: 17,000MT/Y, 2H,'17
	Total	2,645,000		
Kumho Mitsui Chemicals	MDI	250,000	MT/Y	Completion of Expansion: 100,000MT/Y, 2H,'17
	Aniline	2,000		
	Total	252,000		
Kumho Polychem	EP(D)M	220,000	MT/Y	
	TPV/KEPA	7,000		Completion of Expansion: TPV 5,000MT/Y, 4Q,'17
	Total	227,000		

Appendices

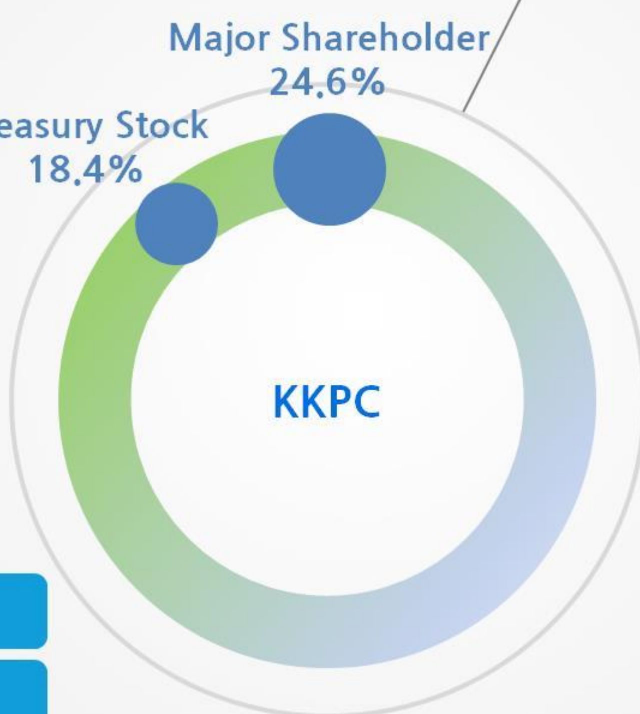
Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 30th June 2017, based on common shares



Investments in Affiliates

Kumho P&B Chemicals	78.2%
Kumho Mitsui Chemicals	50.0%
Kumho Polychem	50.0%
Kumho Terminal & Logistics	95.0%
Korea Energy Power Plant	96.1%

Asset available for sale

Asiana Airlines	12.0%
Daewoo E&C	3.4%
KDB Life Insurance	0.9%

Q & A